

SENATE BILL 195

By Atchley

AN ACT to amend Tennessee Code Annotated, Section 6-51-111, relative to the compensation to be paid by an annexing municipality to an affected instrumentality of the state of Tennessee for the public functions, rights, duties, property, and customers of the affected instrumentality conveyed to the annexing municipality when the annexing municipality chooses to provide utility services in annexed territory.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 6-51-111, is amended by adding the following language as a new, appropriately designated subsection:

(f)

(1) If an annexing municipality elects to be the exclusive provider of utility services within any territory annexed in accordance with subsection (a), which territory is within the boundaries of or is being served by an affected instrumentality of the state of Tennessee (including, but not limited to, a utility district, sanitary district, school district or other public service district), then the purchase price for the public functions, rights, duties, property, and customers conveyed to the annexing municipality shall be on terms agreed to by the parties. If the parties cannot agree upon a purchase price, then the annexing municipality and the affected instrumentality shall each select one person qualified to value

public utility property in order to determine the fair market value of the public functions, rights, duties, property, and customers to be conveyed to the annexing municipality. If the two persons so selected are unable to agree on the fair market value of the public functions, rights, duties, property, and customers being acquired, then they shall jointly select a third person qualified to value public utility property whose determination of the fair market value of the public functions, rights, duties, property, and customers being acquired shall control.

(2) The person qualified to value public utility property shall give appropriate weight to the income approach in valuing the public functions, rights, duties, property, and customers to be conveyed to the annexing municipality. When such person uses the income approach, he or she shall take into account not only the income from existing customers served by utility lines and facilities located within the annexed area but also the income from future customers who could be served by the existing capacity of such utility lines and facilities which have been built and sized by the affected instrumentality to accommodate future growth in the vicinity of the annexed area.

(3) This subsection (f) shall not apply to municipal electric systems or any other state instrumentality providing electric service.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.